

CIRCULAR LETTER

To

ALL COMMERCIAL BANKS AND INTERMEDIARY AGENCIES

Subject : The Sixth Amendment of Bank Indonesia Circular Letter No. 12/18/DPM dated 7 July 2010 regarding Open Market Operations

In connection with Bank Indonesia Regulation No. 12/11/PBI/2010 concerning Monetary Operations (State Gazette of the Republic of Indonesia Year 2010 No. 84, Addendum of the State Gazette of the Republic of Indonesia Number 5141) as amended several times lastly with Bank Indonesia Regulation No. 15/5/PBI/2013 (State Gazette of the Republic of Indonesia Year 2013 No. 144, Addendum of the State Gazette of the Republic of Indonesia Number 5440), it is necessary to make amendment to Bank Indonesia Circular Letter No. 12/18/DPM dated 7 July 2010 regarding Open Market Operations as amended several times, lastly with Bank Indonesia Circular Letter No. 15/24/DPM dated 5 July 2013, as follows:

1. Provision of CHAPTER I is amended so as to read as follows:

I. GENERAL PROVISION

A. In this Bank Indonesia Circular Letter what it means by:

1. Monetary Operations are implementations of monetary policy by Bank Indonesia in order to control monetary through Open Market Operations and Interest Rate Corridor (Standing Facilities).
2. Open Market Operations hereinafter referred to as OPT is a part of transactions activities in money market conducted by Bank Indonesia with OPT Participants for Monetary Operations.

3. Participants ...

3. Participants of OPT are Banks qualified for participants in Monetary Operation as regulated in the regulation of Bank Indonesia concerning the criteria and requirements for Securities, Participants and Intermediary Agencies in Monetary Operations.
4. Banks are Commercial Banks as referred to in the prevailing Law concerning Banking, which conduct business activities conventionally.
5. Intermediary Agencies are intermediaries of rupiah and foreign currencies' money market, and intermediaries of capital market appointed by Finance Minister of the Republic of Indonesia as the primary dealers as stipulated in Bank Indonesia regulation concerning the criteria and requirements for Securities, Participants and Intermediary Agencies in Monetary Operations.
6. Securities are Certificates of Bank Indonesia (SBI), Deposits Certificates of Bank Indonesia (SDBI) and Government Securities used in OPT transactions as referred to in the regulation of Bank Indonesia which regulates the criteria and requirements for Securities, Participants and Intermediary Agencies in Monetary Operations.
7. Certificates of Bank Indonesia hereinafter referred to as SBI are securities in rupiah currency issued by Bank Indonesia as acknowledgement of short term debts.
8. Deposits Certificates of Bank Indonesia hereinafter referred to as SDBI are securities in rupiah currency issued by Bank Indonesia as an acknowledgement of short term debts that can be traded only inter banks.
9. Government Securities hereinafter referred to as SBN are Sovereign Debt Securities and Sharia Securities.

10. Sovereign Debt Securities hereinafter referred to as SUN are Securities in the form of debt acknowledgement certificates of in rupiah or foreign currencies which interests payment as well as its principal payment guaranteed by the State of the Republic of Indonesia, in accordance with their validity, as referred to in the prevailing Laws.
11. Sharia Securities hereinafter referred to as SBSN, or can be called State Sukuk, are SBN issued based on sharia principle both in rupiah or foreign currencies as the evidence against SBSN asset investments, as referred to in the prevailing Laws.
12. Government Bonds are SUN which have maturity of more than 12 (twelve) months with coupons and/or with discounted interest payments.
13. Treasury Bills hereinafter referred to as SPN are SUN with maturity up to 12 (twelve) months, with discounted interest payments.
14. Zero Coupon Bond hereinafter referred to ZCB are Government Bonds without coupons, with discounted interest payments.
15. Retail Government Bonds hereinafter referred to as ORI are State Bonds which sold to individuals or individual Citizens of Indonesia.
16. Repurchase Agreement transactions hereinafter referred to as Repo transactions are the transactions of Securities by OPT Participants to Bank Indonesia, with obligations to repurchase by OPT Participants in accordance with the price and term agreed.
17. Reverse Repo transactions are transactions of Securities purchase by OPT participants from Bank Indonesia, with obligations to sell them back to OPT Participants in accordance with the price and term agreed.

18. Placement of Futures hereinafter referred to as Term Deposits are term funds placement in rupiah and/or in foreign currency owned by OPT Participants in Bank Indonesia.
19. Outright transactions are transactions of outright buy and sell of Securities by OPT Participants from Bank Indonesia without obligations to resell or repurchase by OPT Participants.
20. Checking Accounts are rupiah checking accounts of OPT Participants in Bank Indonesia.
21. Securities Accounts are Securities Accounts of OPT Participants recorded in trading account/active in Bank Indonesia-Scripless Securities Settlement System.
22. Sub-Registries are Banks and institutions conducting custodial activities which meet the requirements and agreed by Bank Indonesia to conduct the function of administering Securities for the interest of customers.
23. Bank Indonesia-Scripless Securities Settlement System hereinafter referred to as BI-SSSS is a transaction facility with Bank Indonesia including its administration and the administration of Securities electronically and is connected directly between participants, administrators and System of Bank Indonesia-Real Time Gross Settlement.
24. System of Bank Indonesia-Real Time Gross Settlement hereinafter referred to as System of BI-RTGS is a system of electronic fund transfer between participants of BI-RTGS System in rupiah currency which settlements are conducted immediately per transaction individually.
25. System of Commercial Bank Daily Report hereinafter referred to as LHBUS System is a reporting facility of Banks to Bank Indonesia daily, including the provision of money market information and announcements from Bank Indonesia.

26. Transactions of Foreign Currency Sale against Government Securities (SBN) hereinafter referred to as Foreign Currency Transaction against SBN are transactions of foreign currency sale against rupiah by Bank Indonesia which is conducted simultaneously with the outright purchase of SBN by Bank Indonesia.
27. Correspondence Banks are banks to maintain foreign currency checking accounts for paying and/or receiving foreign currency funds to or from Banks.
28. Foreign Banks are Banks appointed by Bank Indonesia to conduct activities of banking business in foreign currencies.
29. Swap transactions are transactions of foreign currency exchanges against rupiah through spot purchase/sale with time sale/buy back done simultaneously with the same counterparts and at the price level made and agreed on the date of transactions.
30. Bank Indonesia's Purchase Swap Transactions are foreign currency sale transactions by Bank Indonesia through cash (spot) sales followed by repurchase in futures (forward) transactions of foreign currencies by Bank Indonesia conducted simultaneously with the same counterpart at the price level made and agreed on the date of transactions.
31. Bank Indonesia's Sale Swap Transactions are foreign currencies purchase transactions by Bank Indonesia through cash (spot) purchases followed by resale in futures (forward) transactions by Bank Indonesia conducted simultaneously with the same counterpart at the price level made and agreed on the date of transactions.

B. Bank ...

B. Bank Indonesia in respect of OPT may conduct Liquidity Absorption and/or liquidity injection by using one or more instruments to influence liquidity in money market or to maintain availability of monetary operation instruments required in achieving operational target of Bank Indonesia monetary policy.

2. Provision of CHAPTER II number 2 is amended, so as CHAPTER II number 2 shall read as follows:

2. SBI has characteristics as follows:

- a. Has a unit of Rp1 000 000 (one million rupiah);
- b. Has a maturity period of at least 1 (one) month and a maximum of 12 (twelve) months which stated in the number of days calculated from 1 (one) day after the settlement date up to the maturity date;

Example of period SBI calculation is stated in Appendix 1.

- c. Issued and traded with a discount system;
- d. Issued without scrip (scripless) and administered in BI-SSSS;
- e. SBI cash value shall be calculated based on true discount with the following formula:

$$\text{Cash Value } v = \frac{\text{Nominal Value} \times 360}{360 + (\text{Discount Rate} \times \text{Period})}$$

Discounted Value = Nominal Value - Cash Value

Example of calculation of SBI discounted value and cash value is specified in Appendix 2.

- f. Transferable (negotiable);
- g. Can be transacted among others by ways of outright, lending and borrowing, grant, repurchase agreement (repo), or made it as collateral;
- h. SBI that still in collateral status may not be traded;
- i. Repaid at maturity in the amount of the nominal value of SBI maturity date;
- j. Bank Indonesia can repay SBI prior to its maturity based on consideration related to the strategy of monetary management; and

k. repayment ...

- k. Repayment of SBI prior to its maturity as referred to in letter j shall be conducted with the agreement of SBI's owner.
3. Provision of CHAPTER II number 7 letter b is amended so that CHAPTER II number 7 letter b shall read as follows:
- b. Overall through BI-SSSS, LHBUS system and/or other facilities, among others in the form of nominal value of all incoming bids, range of bid rate, weighted average of SBI discount rate and/or the nominal value won.
4. Between CHAPTER II and CHAPTER III is inserted by 1 (one) chapter, i.e. CHAPTER IIA that read as follows:
- IIA. ISSUANCE OF SDBI
1. SDBI issuance is instruments used by Bank Indonesia to absorb liquidity of rupiah in money market.
 2. SDBI has characteristics as follows:
 - a. Has a unit in the amount of Rp1 000 000 (one million rupiah);
 - b. Has a term/period of at a minimum of 1 (one) day and a maximum of 12 (twelve) months specified by the number of days which is calculated from 1 (one) day after the settlement date up to the maturity date;
Example of SDBI term calculation is stated in Appendix 1A;
 - c. Issue and traded with a discount system;
 - d. Issued without scrip (scripless) and administered in BI-SSSS;
 - e. Cash value of SDBI shall be calculated based on true discount with a formula as follows:

$$\text{Cash Value} = \frac{\text{Nominal Value} \times 360}{360 + (\text{Discount rate} \times \text{term})}$$

$$\text{Discount Value} = \text{Nominal Value} - \text{Cash Value}$$
 Example of SDBI discount value and cash value calculation is stated in Appendix 2A.

f. can only ...

- f. Can only be owned by Banks;
 - g. Can only be transferred (negotiable) inter Banks;
 - h. Can only be transacted inter Banks among others by ways of outright, lending-borrowing, grant, repurchase agreement (repo), or used as collateral;
 - i. SDBI still in collateral status may not be traded;
 - j. Repaid on maturity in the amount of SDBI maturity nominal value;
 - k. Bank Indonesia may repay SDBI prior to its maturity based on consideration related to monetary management strategy; and
 - l. Repayment of SDBI prior to its maturity as referred to in letter k shall be conducted with the agreement of SDBI owner.
3. Transaction Method of SDBI Auction
- a. Issuance of SDBI shall be conducted with auction mechanism through BI-SSSS.
 - b. SDBI auction mechanism shall be conducted with the following method:
 - 1) fixed rate tender
Discount rate of SDBI auction shall be determined by Bank Indonesia; or
 - 2) variable rate tender
Discount rate of SDBI auction shall be submitted by Participants of OPT.
4. Announcement and Implementation of SDBI auction
- a. SDBI auction shall be conducted on a business day set up by Bank Indonesia.
 - b. Window time of SDBI auction may be conducted between 08.00 am up to 04.00 pm.
 - c. Bank Indonesia shall announce SDBI auction plan and its change no later than prior to the SDBI auction through BI-SSSS, LHBU system and/or other facilities.

d. The ...

- d. The announcement of SDBI auction plan shall include among others:
 - 1) Auction date;
 - 2) Period of SDBI;
 - 3) Auction method;
 - 4) Indicative target (if auction is conducted with variable rate tender method);
 - 5) Discount rate of SDBI (if auction is conducted with fixed rate tender method);
 - 6) Window time; and
 - 7) Time and date of settlement.
- 5. Bid submission of SDBI Auction
 - a. OPT Participants may submit bids of SDBI auction directly and/or through Intermediary Agencies.
 - b. Intermediary Agencies shall submit bids of SDBI auction for the interest of OPT Participants.
 - c. OPT Participants shall submit bids of SDBI auction directly or through Intermediary Agencies to Bank Indonesia through BI-SSSS within the specified window time.
 - d. Bids submission of SDBI auction covers the following:
 - 1) Bid quantity, for auction with fixed rate tender method; or
 - 2) Bid quantity and discount rate, for auction with variable rate tender method
 for each SDBI period which shall be issued.
 - e. Submission of each bid quantity from OPT Participants should be no less than 1.000 (one thousand) units or in the amount of Rp1 000 000 000 (one billion rupiah) and the rest with a multiple of 100 (one hundred) units or in the amount of Rp100 000 000 (one hundred million rupiah).

f. In the...

- f. In the event SDBI auction conducted with variable rate tender method, submission of each discount rate bid shall be conducted with a multiple of 0.01% (one per ten thousand).
- g. OPT Participants and Intermediary Agencies shall be responsible for the correctness of SDBI bid data submitted to Bank Indonesia.
- h. OPT Participants and Intermediary Agencies are forbidden to cancel bids already submitted Bank Indonesia.

6. Decision of SDBI Auction Winner

- a. In the event SDBI auction conducted with fixed rate tender method, decision on quantities of SDBI won shall be calculated by way of:
 - 1) Bid quantities submitted by OPT Participants are to be won entirely.
 - 2) If required, bid quantities submitted by OPT Participants may be won partly using proportional calculation with the smallest SDBI nominal rounding of Rp1 000 000 (one million rupiah).
- b. In the event SDBI auction conducted with variable rate tender method, the decision on quantities of SDBI won shall be calculated by means of:
 - 1) Bank Indonesia determines the highest discount rate that can be accepted or Stop Out Rate (SOR); and
 - 2) Bank Indonesia determines quantities of SDBI won by way of:
 - a. In the event discount rates submitted by OPT Participants are lower than the discount rate set, OPT Participants in questions shall win the entire SDBI submitted; and

b. In the ...

- b. In the event discount rates submitted by OPT Participants equal to the set SOR, OPT Participants in questions shall win the entire or a part of SDBI bids submitted in the amount of proportional calculation with the smallest nominal SDBI rounding of Rp1 000 000 (one million rupiah).

Example of determination and calculation of quantities of SDBI auction winner based on fixed rate tender and variable rate tender methods contained in Appendices 3C and 3D.

- c. Bank Indonesia may decide that there is no winner of SDBI auction.

7. Announcement of SDBI Auction Result

Bank Indonesia shall announce the result of SDBI auction after the window time is closed, as follows:

- a. Individually to auction winner through BI-SSSS, among others in the form of nominal value, discount rate and cash value of SDBI won; and
- b. Overall through BI-SSSS, LHBUS System and/or other facilities among others in the form of nominal value of the entire bids, range of bid rate, weighted average of SDBI discount rate and/or the nominal value won.

8. Settlement of SDBI Auction

- a. Settlement of SDBI Auction Result
 - 1) Bank Indonesia shall conduct settlement of SDBI auction result no later than 1 (one) business day after the announcement of SDBI auction result.
 - 2) OPT Participants shall be obligated to have adequate funds in Checking Accounts for the settlement of SDBI auction result.

- 3) Bank Indonesia shall conduct funds settlement of SDBI auction result by debiting the Checking Account in the amount of SDBI cash values and settlement of Securities by crediting the Securities Account in the amount of its nominal values.
- 4) SDBI cash value as referred to in number 3) shall be calculated with a formula:

$$\text{SDBI cash value} = \frac{\text{Nominal value} \times 360}{360 + (\text{Discount Rate} \times \text{Period})}$$

Explanation:

Nominal value = SDBI nominal value won

Discount rate = discount rate won

Period = Number of days calculated as of 1 (one) day after settlement date of SDBI auction up to the maturity date.

- 5) Settlement of funds as referred to in number 3) shall be conducted in combination for each auction winner, and settlement of Securities as referred to in number 3) shall be conducted by means of per transaction (gross to gross).
- 6) Settlement of funds of SDBI auction result shall be conducted per auction (auction number).
- 7) In the event funds in the Checking Account is not sufficient to meet settlement obligations up to the cut-off warning of BI-RTGS System, so as to result in the failure of SDBI auction settlement, BI-SSSS automatically cancel the SDBI auction transaction won by OPT Participant in question.
- 8) For the cancellation of SDBI auction transaction as referred to in number 7), OPT Participant in question shall be imposed with sanction as stipulated in Bank Indonesia regulation concerning Monetary Operations.

b. Settlement ...

b. Settlement of SDBI Repayment

- 1) On maturity date of SDBI, Bank Indonesia shall repay SDBI that have reached maturity based on registration of SDBI ownership recorded in BI-SSSS on 1 (one) business day prior to SDBI maturity date.
- 2) In the event that after transaction the SDBI maturity date is designated as a holiday by the government, the implementation of SDBI repayment settlement shall be conducted on the next business day, without calculating additional discount for the holiday referred to.
- 3) Bank Indonesia shall perform SDBI repayment by means of:
 - a) Crediting Checking Account of SDBI owner in the amount of nominal value of SDBI that has reached maturity; and
 - b) Debiting Securities Account of SDBI owner in the amount of nominal value of SDBI that has reached maturity.

9. Limitation of SDBI transactions in Secondary Market.

- a. Banks are forbidden to transfer or transact SDBI owned by parties other than Banks.
- b. The transfer or transaction as referred to in letter a) shall cover among others outright sale/purchase transactions, lending-borrowing, giving/receiving grants, repurchase agreement (repo) or giving/receiving collaterals.
- c. Banks may transact SDBI with Bank Indonesia.
- d. Sub-Registries shall have obligation to administer SDBI owned by their customers by complying with regulation as referred to in letter a.
- e. Bank Indonesia shall conduct monitoring and/or supervising of regulation implementation as referred to in letter a by Banks and Sub Registries.

b. For any ...

- f. For any violation as referred to in letter a, Bank Indonesia shall impose sanctions as stipulated in Bank Indonesia Regulation on Monetary Operations.
 - g. Bank Indonesia shall perform repayment prior to maturity (early redemption) upon SDBI owned by parties other than Banks.
 - h. Calculation of early redemption as referred to in letter g shall be calculated as of 1 (one) day after the settlement date of SDBI transferred to parties other than Banks.
- 5. Provision of CHAPTER III number 7 letter b is amended, so as CHAPTER III number 7 letter b shall read as follows:
 - b. In overall through BI-SSSS, LHBUS System and/or other facilities, among others in the form of nominal of all bids submitted, range of bid rate and/or weighted average of repo rate.
- 6. Provision of Point III.8.c.1) is amended, so as to read as follows:
 - 1) In case of Securities in the form of SBI and SDBI, Bank Indonesia shall perform repayment of SBI and SDBI prior to maturity (early redemption) and shall charge the repo cost.
- 7. Provision of CHAPTER IV number 7 letter b is amended, so that CHAPTER IV number 7 letter b shall read as follows:
 - b. In overall through BI-SSSS, LHBUS System and/or other facilities, among others in the form of nominal of all bids submitted, range of bid rate and/or weighted average of RR-rate.
- 8. Provision of point V.4.e.2) amended, so as to read as follows:
 - 2) In overall through BI-SSSS, LHBUS System and/or other facilities, among others in the form of nominal of the entire bids submitted, range of bid rate and/or weighted average of yield rate.
- 9. Provision of point VA.3.f.2) is amended, so as to read as follows:

- 1) Announce result on the decision of auction winner in overall to all participants of Foreign Exchange Transactions toward SBN and to the Intermediary Agencies through LHBUS System and/or other facilities, among others in the form of SBN nominal value submitted, SBN nominal value won, nominal of foreign exchange sold by Bank Indonesia and/or weighted average of USD/IDR exchange rate won.
10. Provision of CHAPTER VI number 7 letter b is amended, so as to read as follows :
- b. In overall through BI-SSSS, LHBUS System and/or other facilities, among others in the form of nominal of all bids submitted, range of bid rate and/or weighted average of discount rate of rupiah Term Deposit.
11. Provision of point VIA number 2 letter b is amended, so as to read as follows:
- b. Transaction of foreign currency Term Deposit with a period of at a minimum of 1 (one) day and at a maximum of 12 (twelve) months specified in days calculated as of 1 (one) day after the settlement date up to the maturity date;
12. Provision of point VIA.8.a.1) is amended, so as to read as follows:
- 1) Bank Indonesia shall conduct settlement of foreign currency Term Deposit transactions no later than 2 (two) business days after the date of transactions.
13. Provision of CHAPTER VIB added by 1 number namely number 4 which read as follows:
4. In the event Banks conduct Swap Transaction with Bank Indonesia, the Swap Transaction referred to may be considered as the pass on of Banks derivative transaction position with Banks related parties.
14. Provision of CHAPTER VII added by 1 number namely number 5 so as to read as follows:
5. Sanctions of Violation of SDBI Transaction with Parties Other Than Banks.

In the event ...

In the event Banks and/or Sub-Registries are not in compliance with provision as referred to in point IIA.9 they shall be imposed with the following sanctions:

- a. Written warning with copies to:
 - 1) Department of Monetary Management;
 - 2) Department of Bank Supervision related to, in the event the sanctions imposed to Bank Sub-Registries with head offices in the working area of Bank Indonesia Head Office (KPBI);
 - 3) Division of Bank Supervision – Bank Indonesia Representative Office-Domestic in the area, in the event sanctions are imposed to Bank Sub-Registries with head offices in KPwBI working area; or
 - 4) Financial Services Authority (*Otoritas Jasa Keuangan/OJK*), in the event the sanctions are imposed to Bank Sub-Registries or non-Bank Sub-Registries.
- b. Obligation to pay 0.01% (one per ten thousand) from the nominal value of SDBI transactions that are not in compliance with the regulation referred to shall be Rp10 000 000 (ten million rupiah) at a minimum and Rp100 000 000 (one hundred million rupiah) at a maximum per day.
- c. Delivery of written warning as referred to in letter a) shall be conducted on 1 (one) business day immediately after the finding of violation of regulation as referred to in point IIA.9.
- d. Imposition of financial penalty as referred to in letter b shall be conducted by debiting the Checking Account and/or checking account of payer appointed by the Sub-Registry.

This Bank Indonesia Circular Letter comes into force as of 27 August 2013.

For public cognizance, ordering the promulgation of this Bank Indonesia Regulation by placing it in the State Gazette of the Republic of Indonesia.

We hereby concluded our points for your attention and understanding.

BANK INDONESIA,

FILIANINGSIH HENDARTA
HEAD OF MONETARY
MANAGEMENT DEPARTMENT